U.S. Department of Justice

If no, please attach the required amendment.

Washington, DC 20530

OMB NO. 1124-0002; Expires February 28, 2014

Supplemental Statement

Pursuant to the Foreign Agents Registration Act of 1938, as amended

For Six Month Period Ending 8/1/12-1/31/13 I - REGISTRANT 1. (a) Name of Registrant (b) Registration No. KWR International, Inc. 5119 (c) Business Address(es) of Registrant 140 West End Avenue New York, New York 10023 2. Has there been a change in the information previously furnished in connection with the following? (a) If an individual: (1) Residence address(es) Yes 🗌 No □ (2) Citizenship Yes 🗌 No 🗆 (3) Occupation Yes \square № П (b) If an organization: (1) Name Yes 🗌 No ⊠ (2) Ownership or control Yes \square No 🗵 (3) Branch offices Yes 🗌 No ⊠ (c) Explain fully all changes, if any, indicated in Items (a) and (b) above. IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, AND 5(a). 3. If you have previously filed Exhibit C¹, state whether any changes therein have occurred during this 6 month reporting period. Yes \square No 🗵 If yes, have you filed an amendment to the Exhibit C? Yes \square No □

¹ The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, National Security Division, U.S. Department of Justice, Washington, DC 20530.)

ii yes, turnish me tone	owing information:		
Name		Position	Date Connection Ended
·			
Have any persons beco Yes	me partners, officers, directors or si No ⊠	imilar officials during this 6 mon	th reporting period?
If yes, furnish the follo	owing information:		
Name	Residence Address	Citizenship	Position Date Assume
Has any person named	in Item 4(b) rendered services direc	tly in furtherance of the interests	of any foreign principal?
Yes	No ⊠	m furtherance of the interests	or any roroign principar.
· 	ich person and describe the service	rendered.	
,,,	·		
and the same of			
			r capacity, any persons who rendered
			principal(s) in other than a clerical of
secretarial, or in a relat	ed or similar capacity?	No ⊠	
Name	Danidanaa Addaaaa	and the same of th	
ivanic	Residence Address	Citizenship	Position Date Assumed
Name	Residence Address	Citizenship	Position Date Assumed
Ivanic	Residence Address	Citizenship	Position Date Assumed
Name	Residence Address	Citizenship	Position Date Assumed
·	Residence Address	Citizenship	Position Date Assumed
	Residence Address	Citizenship	Position Date Assumed
Have any employees of	r individuals, who have filed a short	t form registration statement, tern	ninated their employment or
Have any employees of connection with the re-	r individuals, who have filed a short gistrant during this 6 month reportin	t form registration statement, tern	
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II - FOREIGN PRINCIPAL

7. Has your connection v If yes, furnish the follo		al ended during t	his 6 month reporting	g period? Yo	es 🗆	No ⊠	
Foreign Principal	·	·		Date of	`Terminatio	un	
Torcign Timorpai				Build	Tommuno	11	
				•			
			•	٠			
			•				
		•					
			•				
8. Have you acquired an	y new foreign principal	(s) ² during this 6	month reporting peri	iod? Ye	es 🗌	No ⊠	
If yes, furnish the follo	owing information:						
Name and Address of	Foreign Principal(s)			Date	Acquired		
Tunic und Tuaress of	Toroign Timorpui(o)	•					
	•						
			•	4			
				•			
			· · · · · · · · · · · · · · · · · · ·				
9. In addition to those na	med in Items 7 and 8, i	f any, list foreign	principal(s) ² whom	you continued	to represent	during the 6 i	nontl
reporting period. JETRO New York				•	•		
JEIRO New Tolk							
				4			
·							
		•					
				,			
10. (a) Have you filed ex	hibita for the navely age	uirad faraign pris	agingl(g) if any lists	d in Itom 92			
Exhibit A ³	Yes	No 🗆	icipai(s), ii any, iiste	u m nem o?			
Exhibit B ⁴	Yes □	No □					
	h the required exhibit.	_					
(b) Have there been s	any changes in the Exhi	hite A and R nrow	viously filed for any	foreign princip	al whom vo		
` '	g this six month period	=	Yes	No 🗵	ii whom yo	u	
-	iled an amendment to the		Yes 🗆	No ⊠			
	h the required amendm				•		
ii no, prease attac	in the required amondin	· · · · · · · · · · · · · · · · · · ·	•				
	•					•	

² The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a) (9)). A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)
3 The Exhibit A, which is filed on Form NSD-3 (Formerly CRM-157) sets forth the information required to be disclosed concerning each foreign principal.
4 The Exhibit B, which is filed on Form NSD-4 (Formerly CRM-155) sets fourth the information concerning the agreement or understanding between the registrant and the foreign principal.

III - ACTIVITIES

11.	1. During this 6 month reporting period, have you engaged in a named in Items 7, 8, or 9 of this statement?		rendered any services to	o any foreign principal
	If yes, identify each foreign principal and describe in full de	tail your activities	and services:	
	Preparation and publication of newsletters and interviews Media monitoring and counsel			,
			•	
12.	 During this 6 month reporting period, have you on behalf of Yes ☐ No ☒ 	any foreign princi	pal engaged in political	activity ⁵ as defined below?
	If yes, identify each such foreign principal and describe in further relations, interests and policies sought to be influenced a arranged, sponsored or delivered speeches, lectures or radio names of speakers and subject matter.	nd the means emp	loyed to achieve this pur	rpose. If the registrant
•				
				÷
				•
13.	3. In addition to the above described activities, if any, have you foreign principal(s)? Yes ⊠ No □	ı engaged in activi	ty on your own behalf v	which benefits your
	If yes, describe fully.			
	media monitoring and counsel attendance at conferences/meetings			
	publication of Asia-related articles and interviews maintenance of twitter feeds			
		. •	·	

⁵ The term "political activity" means any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a)		orting period, have you received from ther source, for or in the interests of a sation or otherwise?			
	If no, explain why.				
	If yes, set forth below in	the required detail and separately for	each foreign principal a	n account of su	ich monies.6
	Date	From Whom	Purpose		Amount
			•		
					•
				-	Total
(b)	-	AISING CAMPAIGN orting period, have you received, as p in Items 7, 8, or 9 of this statement?	art of a fundraising camp Yes □	oaign ⁷ , any mor No ⊠	ney on behalf of any
	If yes, have you filed an	Exhibit D to your registration?	Yes 🗆	No 🗵	
	If yes, indicate the date t	he Exhibit D was filed. Date			
(c)		OF VALUE Orting period, have you received any post of this statement, or from any other No ⊠			
	If yes, furnish the follow	ring information:			
	Foreign Principal	Date Received	Thing of Value		Purpose

^{6, 7} A registrant is required to file an Exhibit D if he collects or receives contributions, loans, moneys, or other things of value for a foreign principal, as part of a fundraising campaign. (See Rule 201(e)).

⁸ An Exhibit D, for which no printed form is provided, sets forth an account of money collected or received as a result of a fundraising campaign and transmitted for a foreign principal.

⁹ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

DISB	BURSEMENTS-MO	ONIES				
Durin	ng this 6 month repo	rting period, hav	ve you			
(1) d	disbursed or expend	ed monies in cor	nnection with acti	ivity on behalf of	any foreign principal nan	ned in Items 7, 8
. 9	9 of this statement?	Yes ⊠	No 🗆	•	, , ,	
(2) to	transmitted monies t	to any such forei	ign principal?	Yes 🗆	No ⊠	
If no.	explain in full deta	il why there wer	e no disbursemen	nts made on hehal	f of any foreign principal.	
					•	
					•	
				for each foreign	principal an account of su	ch monies, inclu
	s, set forth below in es transmitted, if an			for each foreign	principal an account of su	ch monies, inclu
monie	es transmitted, if an	y, to each foreig	n principal.			
monie Date	es transmitted, if an		n principal.		Purpose	ch monies, inclu Amount
monie Date Durin	es transmitted, if an	y, to each foreig	n principal.	JETRO N	Purpose ew York	Amount
Date Durin 8/1/1	es transmitted, if an ng the 12-1/31/13	y, to each foreig	n principal.	JETRO No Research	Purpose ew York /Analysis (estimated)	Amount
Date Durin 8/1/1 perio	es transmitted, if an	y, to each foreig	n principal.	JETRO No Research	Purpose ew York /Analysis (estimated) isc. (estimated)	Amount

(b)	DISBURSEMENTS-THINGS OF VALUE During this 6 month reporting period, have you disposed of anything of value ¹⁰ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in Items 7, 8, or 9 of this statement?						
	connection with		any foreign principal i	named in Items 7,	8, or 9 of this statem	nent?	
	If yes, furnish th	ne following information		* .			
	Date	Recipient	Foreign Princip	oal Th	ing of Value	Purpose	
			•			•	
					•		
				,			
(c)	During this 6 m other person, m	ENTS-POLITICAL Conth reporting period, hade any contributions of the contributions of the contribution with any primate the contribution with any primate contribution.	nave you from your ov of money or other thing	gs of value ¹¹ in cor	nnection with an elec	tion to any political	
		Yes □ No					
	If yes, furnish th	he following information	on:				
	Date	Amount or Thir	ng of Value	Political Organizat	ion or Candidate	Location of Event	

^{10, 11} Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks" and the like.

V-INFORMATIONAL MATERIALS

· · · · · · · · · · · · · · · · · · ·	• • • • •	, disseminate or cause to	be disseminated any informational materials
Yes ⊠	No □		
If Yes, go to Item 17.			
(b) If you answered No to Item		any material in connection	on with your registration?
Yes 🗆	No 🗆		
If Yes, please forward the mate		he six month period to th	e Registration Unit for review.
17. Identify each such foreign prin	cipal.	•	
JETRO New York			
·			
		•,	
18 During this 6 month reporting	neriod has any foreign prin	cinal established a hudge	et or allocated a specified sum of money to
finance your activities in prepa		- , •	Yes No 🗵
If yes, identify each such foreig	gn principal, specify amoun	t, and indicate for what p	period of time.
	•		
	· ·		
19. During this 6 month reporting	period, did your activities i	preparing, disseminating	g or causing the dissemination of information
materials include the use of an		- 7 7	6 • • • • • • • • • • • • • • • • • • •
☐ Radio or TV broadcasts	Magazine or newspaper	\square Motion picture films	☐ Letters or telegrams
☐ Advertising campaigns	Press releases	Pamphlets or other p	ublications Lectures or speeches
Other (specify)			
Electronic Communications			
⊠ Email			
☐ Website URL(s): kwrintl.com			•
☑ Social media websites URL(s):			
Other (specify)			
20. During this 6 month reporting the following groups:	period, did you disseminate	or cause to be dissemina	ted informational materials among any of
☑ Public officials	Newspa Ne	apers	∠ Libraries
☐ Legislators			⊠ Educational institutions
	⊠ Civic g	roups or associations	☐ Nationality groups
☑ Other (specify) investor	s, executives, etc.		
21. What language was used in the	informational materials:		
☑ English		r (specify)	
22. Did you file with the Registrat	ion Unit, U.S. Department	of Justice a copy of each	item of such informational materials
disseminated or caused to be d			Yes No No
22 Did you label assh item of suc	h informational materials	ith the statement requires	d by Spation 4(b) of the Act?
23. Did you label each item of suc Yes ⊠ No □	n mormanonai materiais w	in the statement required	T by Section 4(b) of the Act?

¹² The term informational materials includes any oral, visual, graphic, written, or pictorial information or matter of any kind, including that published by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or any means or instrumentality of interstate or foreign commerce or otherwise. Informational materials disseminated by an agent of a foreign principal as part of an activity in itself exempt from registration, or an activity which by itself would not require registration, need not be filed pursuant to Section 4(b) of the Act.

VI - EXECUTION

In accordance with 28 U.S.C. § 1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)	(Print or type name under each signature or provide electronic signature		
March 13, 2013	/s/ Keith W. Rabin	eSigned	
	•		

2011 MAR II. AM 7. C.

¹³ This statement shall be signed by the individual agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.



July 2012

Examining Technology Management Trends in Japan, Korea and China: Interview with T.W. Kang, Managing Director of Global Synergy Associates



T.W. Kang is Managing Director of Global Synergy Associates, a management consulting firm based in Tokyo. His list of Fortune 500 clients includes Philips, Siemens, Daimler Benz, Intel, National Semiconductor, Samsung Group, and Mitsubishi Electric. He has served on the board of directors of NEC Electronics and a number of high tech ventures including Synaptics, Inc., SiPort, Inc., and gEM Services, Inc. Prior to that, he spent a decade at Intel Corporation. He is author of six books in English, Japanese and Korean including GAISHI, The Foreign Company in Japan, and Is Korea the Next Japan?, and has been a guest commentator on CNN, NHK and KBS (Korean Broadcasting System). He received his BSEE degree from M.I.T., and an MBA from Harvard Business School.

By Keith W. Rabin, KWR International, Inc.

You wrote a book named Gaishi: The Foreign Company in Japan in 1990 when you were working at Intel in Tokyo. What was it like for foreign companies operating in Japan in those days and how have things changed in the last 22 years?

Some changes have occurred since 1990, mostly to the benefit of foreign companies (Gaishi) although the importance Japanese customers place on QCDS (quality, cost, delivery, and service), which is the central theme of the book, remains unchanged.

A drastic shift is that back then, Japan used to be THE major market in Asia, but China has now assumed this position. That changes the perspective of foreign firm's headquarters as they contemplate the positioning of their subsidiary in Japan (namely gaishi) within their global strategy. But it is important to remember that Japan still remains a market to be reckoned with,





and one that has become easier to operate in.

A huge challenge for the gaishi used to be securing the best human resources in Japan. Graduates of the University of Tokyo and Japanese who spent time at renowned Japanese firms, used to scoff at the prospect of working for foreign firms, but not anymore. This is because large Japanese firms have announced plans to downsize by tens of thousands of people. A head-hunter in Tokyo engaged by a gaishi recently told me, "Boy, I only need one."

An example of a true paradigm shift is "Hallyu" which refers to the recent flood of Korean drama, pop culture, products, and even management techniques into Japan. Less than a decade ago, I went into a consumer electronic shop in Tokyo looking for a washing machine, and as I was looking at a Korean product, a store attendant came up to me and told me to ignore Korean goods as they are "crap." Just a few days ago, however, the Nikkei reported the only TV selling well at leading consumer electronic shops is a Smart TV by LG. Nowadays even I receive numerous requests from the Japanese to lecture about the "secrets of Korean management."

This shift is truly a once-in-a-century phenomenon since the self image of the Japanese as the foremost Asian people came to be as a result of their victory in the Sino-Japanese War of 1894-95 and continued until recently.

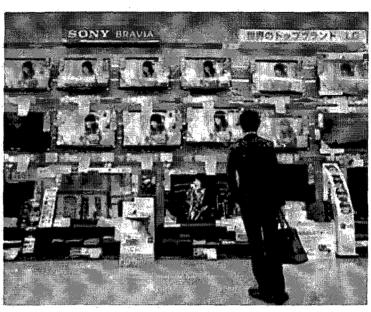
Japanese companies used to lead the world in applying technology to consumer products such as the Walkman and video games which achieved tremendous success in world markets. Despite this early lead, however, Japanese firms have not been particularly successful in marketing personal computers, mobile telephony and now smart phones outside Japan. Do you have a view on why this has been the case?

In speeches I often ask, "why is it that the sole country which has the ability to produce all the parts that make up a cell phone only has a few percentage points of global market share?" The first reason is for many Japanese firms, the Japanese domestic market has been



just large enough to sustain (but slowly erode) their overall profitability, reducing their motivation to reach out to global markets. On the other hand, Dutch and Koreans cannot survive solely or even mainly on their domestic market, so expanding abroad is a life or death choice.

This is closely related to the second reason, which has to do with "hybridization of human resources." As companies everywhere try to



Source: Technobuffalo

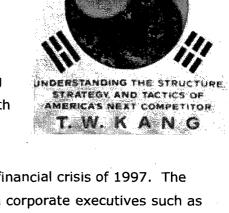
enhance global competence, they need human resources with experience in at least two functions such as product development and marketing, and preferably two geographies. The Japanese have strong pride and tradition in craftsmanship, which in a number of instances supersedes the pragmatism required in selecting industry standards and business models. Witness how the Japanese tried pushing their own cell phone standard and lost out against GSM, which allowed then relatively unknown Nokia of Finland to become number one. Witness how Sony, who created the market for portable audio (Walkman) and I'm sure can still make the most compact hardware audio receiver, could not come up with a content delivery vehicle ala iTunes. They allowed Apple to walk all over them.

As to hybridization along geographic lines, suffice it to say Japanese firms in general are still reluctant to send their next-in-line-for-president type of human resources to emerging markets.

On the other hand Korean firms have been achieving tremendous success in areas such as electronics where Japanese firms had dominated and Samsung is now said to earn a larger profit than all Japanese electronics companies combined. That is interesting as Korean firms have traditionally looked to Japan as a model. Do you have any thoughts on how Korean firms have become such effective competitors and are there any lessons Japanese companies can learn from their experience?

First, to be objective, the relatively strong yen versus the relatively weak won has given the Koreans tail winds and the Japanese head winds. Also, Korean firms have had a relatively favorable corporate tax burden compared to the Japanese. In fact some Japanese firms complain this difference in burden would enable the building of one additional manufacturing facility every year. The quality of Korean management has also improved significantly over the last decade and a half.

I still remember a time when I could not convince Samsung to study Western competitors; only the Japanese were worth studying. Today, Korean firms benchmark not only the Japanese but also Western firms from smaller European



nations. This shift happened around the time of the Asian financial crisis of 1997. The instinct to survive brought real meaning to words of Korean corporate executives such as "change everything except your wife and family."

Also, from the early nineties onward after South Korea and China established diplomatic relations, Korean firms began targeting emerging markets where the Japanese did not have an established presence, and where spontaneity, the Achilles heel of Japanese organizational execution, is key. They dove into the BRICs markets by developing "regional specialists," i.e., Koreans who would speak their language, move with family to their country, and permeate society there. Samsung alone has several thousand such specialists around the world. This is one kind of the human resource hybridization I referred to above.

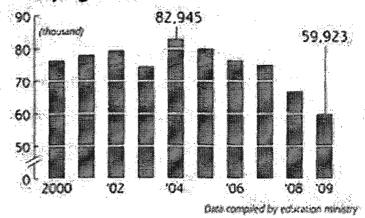


From a macro perspective, despite the fact the Korean government has shifted both right and left in the last two decades, one consistent thrust has been to turn South Korea into an FTA hub. They now have FTAs in effect with both the EU and the US, in addition to a host of other nations. Korea is also aggressively pursuing their next target – China. By contrast, the current Japanese administration has not yet sought to gain entry into Trans-Pacific Partnership negotiations due to domestic considerations. Here again, one is reminded of a reversal of roles. Preceding the Russo-Japanese War of 1905-06, the Japanese masterfully crafted alliances with England and the US, effectively checkmating the isolated Koreans. Today, it appears Korea is the one forging FTA alliances with strategic nations, and Japan is the one that is the laggard.

Many people believe Japanese culture has become increasingly insular and point to facts such as far fewer Japanese students now study overseas or are as globalized as their parents. Do you believe this is the case and if so what effect will this have on Japan, doing business there, and the ability of Japanese firms to compete in foreign markets?

While I wish Japanese youth reached out more overseas, I do sympathize with them. Employment of new college graduates has been dismal for the past few years, and when students are asked about spending time abroad, they complain that competing with their Japan-based classmates and coping with schedules and procedures of Japanese corporate employment does not give them the leeway to do so. One bright spot is although firms are quite conservative

Number of Japanese college students studying abroad



Source: Daily Yomiuri

about hiring new college graduates, they are aggressively holding career fairs to secure foreign students in Japan, and Japanese who have studied abroad.

JAPAN EXTERNAL TRADE ORGANIZATION



FOCUS NEWSLETTER

However, having observed the globalization patterns of the Japanese over the past three decades, the bigger picture is there is still no consensus that diversity is beneficial to them. The Japanese are what I call a "monoethnic culture." That is a nation that emphasizes in its schools that its identity is anchored in a single ethnic race. Intriguingly the only other Asian nation that fits this description is Korea. In such nations, making the leap of faith from ethnic cohesion to ethnic diversity/pluralism cannot be construed in the same manner as with other nations with a more inherently diverse base.

Interestingly, Sony and Samsung have dealt with this problem in two very different ways. Sony has truly diversified its officers and directors – a Welsh-American Chairman (CEO until recently), Japanese operating executives, and a board of directors from multiple nations such as Britain and China. Meanwhile, there are no foreigners in Samsung's executive ranks or board. But, as mentioned earlier, Samsung has taken its own Korean executives, and immersed them into uncharted lands. The question of which approach is better for a "monoethnic" backdrop, is still subject to debate, although recent results tend to bode well for the latter. And, I suspect the cost for Sony of effecting close communication and focus despite such diversity in a "monoethnic" backdrop is appallingly high.

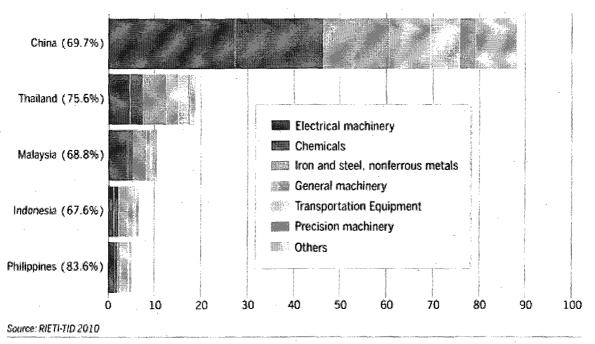
When analyzing the changing nature of Japanese business, some analysts highlight a shift from branded products to an orientation that emphasizes key components and technologies in which awareness of Japanese dominance in the category only becomes apparent during supply chain disruptions such as the Fukushima disaster. Do you believe this is the case? If so, why is this happening and what are the implications for Japanese firms and the technology industry?

There are aspects of Japanese management that are excellent. This is clearly evidenced by the number of technologies only the Japanese can exclusively provide the world. Once the Japanese have such high leverage in these "upstream" core materials, equipment, components and building blocks, their focus on the Japanese way of craftsmanship and management seems more than appropriate; why fix what isn't broken?



Japanese exports of intermediate goods by destination and by industry

2009, \$bn (Intermediate as % of total merchandise export)



Source: beyondbrics

However, I have seen analysis that indicates that the business scale (size) of the upstream sectors is much smaller than sectors further "downstream" that include branded goods. I suspect that such scale unfortunately does not support the welfare of a population base of 130 million people. That is why globalization is a challenge that very few can avoid.

You served as a board member of NEC Electronics, a major Japanese technology company. What led to this appointment and what was it like working on the board of a major Japanese firm? How does the role of a board of directors differ between Japanese and US firms?

NEC Electronics was the semiconductor arm of the NEC Group, and as a semiconductor business, had been the number one player in the world. They lost share continually until they had gotten into a chronic loss situation. That's when they made the decision to accept me as their first independent board member although I am a foreigner, and an ex-Intel executive, an intense competitor in the past.



JAPAN EXTERNAL TRADE ORGANIZATION

FOCUS NEWSLETTER

Both the company and I had to feel our way forward in the relationship. I insisted I wanted to be an active board member, and attend not only board meetings but top executive sessions where decisions were actually made. This was a groundbreaking experience for a number of reasons. First, there is no consensus in Japan the company belongs exclusively to the shareholders and maximization of

Renesas Technology Corp.

NEC Electronics Corporation



NEC ELECTRONICS



Renesas Electronics Corporation



Source: I-Micronews

shareholder wealth should be first priority. Second, board members of Japanese companies typically do not engage in what I call "offensive corporate governance," i.e., attaining consensus with management on corporate objectives and strategies that maximize shareholder wealth. On the other hand, companies expect the board to perform "defensive corporate governance," such as the prevention of legal non-compliance and maintenance of a certain level of transparency. Therefore, they rarely engage outside board members in strategy formulation. This is aggravated by the fact firms typically do not accept industry insiders as outside board members, and therefore, deep discussions on strategies rarely happen.

However, due to NEC Electronics' critical situation, I felt compelled to take a stronger role. In the beginning, I was afraid there would be no option left to turn the company around. After judging an "organic" turnaround of the company was practically impossible, halfway through my tenure, I found a potential non-Japanese merger candidate that had the following benefits: a) synergies from similar customer sectors but complementary regional strengths and technologies, b) diversification of yen currency concentration, c) a counterpart that had already restructured but was undervalued for a specific but irrelevant reason, and d) a strong CEO and management team. And, this structure would have allowed NEC to hold on to a majority share. With many influential supporters, we were able to develop a dialogue

between the two companies to the point where investment banks and lawyers were involved on both sides assisting the two management teams to put the deal together.

It is still heartbreaking for me this deal did not go through. Instead, NEC Electronics merged with a Japanese competitor, and after two years and over \$2 billion dollars of new cash infusion, the combination is already almost out of cash and in dire straits. In the meantime, the non-Japanese firm mentioned above turned around its valuation and its stock price went up several-fold. Perhaps, the last grand option to turn around the Japanese non-memory semiconductor sector and to save the employment of many NEC Electronics people might have been lost.

One of the more important corporate governance stories emanating from Japan in recent years has been the case of Olympus in which a foreign manager with long-term experience with the firm alleged substantial improprieties and fraud. What are your views on this case? What does it say about the Japanese corporate system and implications for the future?

Mr. Woodford certainly did the Japanese financial markets a tremendous favor by uncovering the alleged corporate crime that persisted within Olympus for such an extended period. No question about that. The surprise is that the Japanese did not support him to take on the presidency of Olympus.

As much as my curiosity might have been stimulated if he had, I can in some sense understand the skepticism.



Source: Bureau of Investigative Journalism

It is one thing to be a whistle-blower: it is quite another to be an effective foreign leader in a "monoethnic culture." Take a look at the record: out of Ghosn of Nissan, Stringer of Sony



and Stuart Chambers of Nippon Sheet Glass, only the first can claim success, and it was mainly because Nissan was truly at the brink.

That is not to say Japanese corporations do not need to improve their corporate governance. A family member of Daiou Seishi who allegedly gambled away over 100 million dollars of corporate money is a case in point. CEO succession at Fujitsu exposed another sort of governance problem. Despite my claim Japan needs "offensive corporate governance," "defensive corporate governance" clearly needs hefty reinforcement.

In recent years you have spent a lot of time in China observing how it fits into global supply chains and working with Japanese and other firms seeking to take advantage of opportunities in this market. What can you tell us about this experience and how has global manufacturing and the technology industry changed as China has become a major factor both in production and as an emerging consumer of technology products?

Recently, I enabled the consummation of a joint venture between a China-based module manufacturing contractor and Mitsubishi Electric Corporation. In the early phases of China's economic development, foreign firms used China as a manufacturing base for global markets. However, as China's domestic market expanded, foreign firms have increasingly used their China based production bases as a source of advantage for securing Chinese customers.

However, this is easy to say, difficult to do. In a country as large as China, it is hard to believe how few locations have the combination of 1) reasonable cost, 2) prospect of developing good public/private sector

China versus Japan GDP 2009: \$4.9 trillion \$ trillion China's own 5.5 estimate 5.0 Japan 4.5 4.0 3.5 JAPAN 3.0 2009: 2.5 \$4.6 trillion World Bank 2.0 China estimate 1.5 1.0 0.5 2000 01 02 03 04 05 06 07 08 09

Source: World Bank

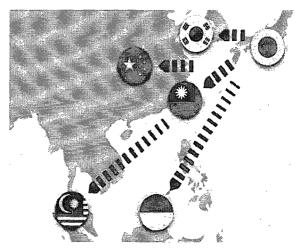
relations, 3) access to stable, high quality labor, 4) good infrastructure and market, and

5) absence of an overshadowing competitor in the same space. On the other hand, it is reasonably easy to find a low cost location, but with low quality labor and infrastructure, combined with bureaucrats relatively inexperienced in dealing with foreigners. In this sense, the low hanging fruit in China may be gone.

But even considering the slowing of China's growth rate, China's population will urbanize at a rapid rate for at least the next five years, if not longer. This bodes well for high tech, particularly the industrial sector, as urban infrastructure will require much upgrading and expansion. Any global firm that even tangentially relates to such urbanization demand will suffer large opportunity loss without an effective China strategy.

Until about ten years ago the primary focus of Japanese firms was both on Japan itself and on delivering exports to mature markets such as the US and Western Europe. This is now changing as incremental growth shifts to the emerging markets. How is this changing Japanese corporate behavior and what particular challenges and strengths do they have as they seek to enhance their competitiveness in the developing world?

Japanese firms are indeed shifting their emphasis to emerging markets. The basement floor of Jiuguang Department Store in Shanghai is full of Japanese highend grocery and consumer items. What is intriguing is that renowned Japanese soup noodle (ramen) and potsticker franchises such as Ajisen ramen and Gyoza no Osho whose products trace their roots to Chinese culinary culture, have brought their dishes to China, and Chinese consumers are



Source: Movida Japan

gobbling up their offerings. Uniqlo, a front-runner in the Japanese apparel scene, used to use Chinese production as leverage for its low cost strategy, but now they are moving upscale globally, and this thrust is hard to miss in their flagship Shanghai outlets. Uniqlo CEO Yanai

has declared any Uniqlo employee who is satisfied solely with domestic business will not be needed by the company.

One challenge for the Japanese in emerging markets is speed combined with spontaneity. Toyota has recently begun to seriously reinforce its efforts in China, but CEO Toyoda openly recognizes his firm is coming from behind. Toyota has also developed a large wall display in their marketing offices that shows the real-time status of all shipments and inventories in their delivery chain.



Source: Best Selling Cars Blog

Such techniques might serve as an effective response to Hyundai's efficiencies.

Now that the world has accepted the attractiveness of emerging markets, costs have started to rise in these economies to the point that manufacturing is beginning to move back to the US. At the same time many key components and processes as well as related engineering and design talent has moved to emerging Asia. How will these trends be reconciled? Can manufacturing, particularly in higher-value-added sectors such as technology move back to the US or is the trend inherently limited? Despite the strong yen are Japanese companies also moving any of their production back to Japan or from emerging Asia to the US?

The question of where to locate production sites is a complex one involving many factors, not only cost levels. For example, a particularly sensitive factor in a political year like this is employment. But, there are also other factors such as proximity between product development and operations, and location of key players in the supplier ecosystem. Fairly easy to recall is Sharp's past assertion that its integrated flat panel facility in Kameyama was a showcase of how such plants can be competitive in Japan. Well, Sharp just asked Honhai of

Taiwan to help by becoming one of its largest shareholders, and also by guiding Sharp's operational restructuring. On the other hand, in the "upstream" materials and key components segments that the Japanese dominate, it is not only economically affordable to locate plants in Japan, but also this may be essential to maintain the integrity of their management, organizational and operational practices.



Source: Nikkei Business

In low end segments, however, it is a fact that costs are rising particularly in the Eastern parts of China, and that is why in the aforementioned case of the China-based module manufacturer, they diversified their manufacturing location by expanding from their base in Shanghai westwards to Hefei. There, costs are significantly lower, and other factors tend to be reasonable, although not quite at Shanghai's level. Another strategy manufacturers are adopting is to diversify not only within China, but to other locations such as in Southeast Asia.

You spend a lot of time in Silicon Valley, which is universally admired as a focal point of new technology and venture financing all over the world. Japan and other countries have sought to replicate this model by developing closer relationships between business and academia, encouraging technology transfer and licensing and other programs that seek to foster innovation and commercialization of academic research. While some of these programs have shown results, none have come close to replicating the success of Silicon Valley. Are there lessons to be learned or is the success of Silicon Valley something unique to the US, that particular region or circumstances that cannot be replicated?

As a long time Silicon Valley player, my first reaction is that in a literal sense, Silicon Valley is not about silicon any more. Very few semiconductor start-ups, if any, are getting funded and few, if any, successfully exit. Fabless semiconductor venture opportunities used to be such that with an accumulated investment of around \$30 million, one could reach a revenue level

adequate for exit in three years by sustaining a gross margin of over 40%. Now, with the maturing of the semiconductor space, the numbers look more like \$50 million in, five years to exit with a gross margin of 20%. And, that's when a venture is successful. It's now become a big boy's game.

Having said that, Silicon Valley's great strength includes not only its ability to enable great innovation for world markets, but also its ability to reinvent itself. Silicon Valley has successfully morphed from semiconductors, to embracing the Information Super Highway (Yahoo, Cisco and Netscape)

to social networking (LinkedIn and Facebook).



Source: Silicon Angle

While Silicon Valley has been able to reinvent itself, it is true the rest of the world has been largely unsuccessful in inventing their version. The comparison with Japan is particularly illuminating. Just as the adversarial relationship between the large railroads and government that marks the early days of US capitalism contrasts sharply with the cooperative relationship between private entrepreneur Iwasaki Yataro (founder of Mitsubishi) and Okubo Toshimichi (Japan's first minister of industry) during modern Japan's early days, Silicon Valley had little if any guidance, help, or interference from the US government. In contrast, most efforts to replicate Silicon Valley around the world, including Japan, have been initiated and driven by government. Moreover, Silicon Valley is much more about small enterprises, and so traditionally big business oriented Koreans and Japanese have had a lower profile in Silicon Valley compared to the Chinese and Indians.

Thank you TW for your time and attention. Look forward to speaking soon.



Japan Business Forum: New Initiatives for Sustainable Growth



The Japan External Trade Organization cordially invites you to the Japan Business Forum: New Initiatives for Sustainable Growth. This conference aims to inform U.S. companies and organizations on important policy changes and business opportunities prompted by Japan's recovery efforts following the earthquake and tsunami of March 2011. Government officials and industry leaders will also brief on and discuss the Japanese government's launch of a renewable energy feed-in tariff system this July.

Event details and online registration: www.jetro.org/JBF2012

This event is free to attend

WHEN:

Tuesday, July 17, 2012 1:00PM - 5:40PM (Reception to follow)

WHERE:

McGraw-Hill Conference Center

1221 Avenue of the Americas, 2nd Fl., New York, NY 10020 Map

We are pleased to announce three keynote speakers at the Japan Business Forum.

Yoshinori Suematsu, Senior Vice Minister for Reconstruction

"Promotion of Foreign Direct Investment in The 3/11 Disaster Areas"

Charles D. Lake II, Chairman of the Board of Directors, The U.S.-Japan Business Council Incorporated; Chairman and Representative, Aflac Japan

"Realizing Japan's Potential: A Business Perspective on the World's Third Largest Economy"





Takashi Hatchoji, Chairman of Hitachi America, Ltd.

"Reconstruction Support and Smart City Strategies"

Topics of discussion

- Japan's continued reconstruction efforts
- Special recovery zone initiatives
- Government subsidies for FDI
- · Renewable energy policies, including feed-in tariff

Co-Organizers

Reconstruction Agency; Cabinet Office; Ministry of Economy, Trade and Industry (METI); Iwate Prefectural Government; Miyagi Prefectural Government; Fukushima Prefectural Government; Japan Society

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As part of our ongoing efforts to improve our services, please kindly take a few minutes to complete our questionnaire from the link below.

http://www.surveymonkey.com/s/SLB7SYW

The above site will be closed on August 31 2012. Your understanding and cooperation is highly appreciated.

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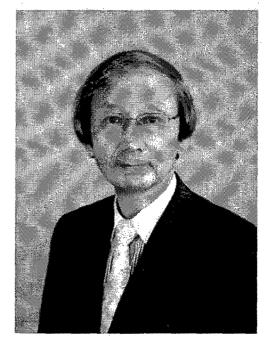
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Evaluating Japan's Energy Needs and its Economic Environment: Interview with Masakazu Toyoda, Chairman and CEO, The Institute of Energy Economics, Japan (IEEJ)

January 2013



Source: IEEJ

By Keith W. Rabin, KWR International, Inc.

Thank you Toyoda-san for speaking with us today. Can you tell us about your background and present position?

I currently serve as CEO and Chairman of The Institute of Energy Economics Japan (IEEJ) and assumed this position about two and a half years ago. My background is in government where I served for 37 years before I came to IEEJ. For the first 35 years I worked at the Ministry of Economy, Trade and Industry (METI), which had been known as the Ministry of International Trade and Industry (MITI) until it was reorganized in 2001. During my time at METI/MITI (see bio) I focused on a wide range of trade, economic, energy and environmental issues. This includes responsibility for the Kyoto Protocol negotiations and Japan's participation in multilateral and bilateral trade negotiations including the Doha round and the US-Japan auto talks in the early 1990s. I resigned in 2008 after achieving the rank of Vice Minister for International Affairs and then began working as Secretary General for Space Policy in the Cabinet Secretariat of the Prime Minister. This was followed by assignments as a Special

Advisor to the Cabinet on Asian Economy and then on Climate Change. So throughout my career I have been heavily involved in the development of Japanese policy in regard to energy, trade, manufacturing, industry, space, climate change and a range of other economic issues.

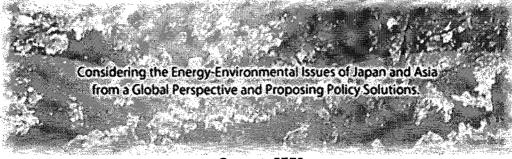
The IEEJ is active in Japanese and Asian energy-related issues and global environmental subjects. Can you tell us about the organization and its work?

The IEEJ is a Japanese think tank on energy and environment. Our vision focuses on Asian energy and environmental issues from a global perspective and we not only analyze these issues but also propose policy solutions and recommendations. So our focus is not only on how these issues affect Japan, but rather how to view these concerns within a broader Asian context. Recently, we have also been undertaking more analysis on emerging economies such as the Middle East since so much of our energy is sourced from that region. We have four units, including energy research, climate change, geopolitics, with an emphasis on the Middle East, and



Source: IEEJ

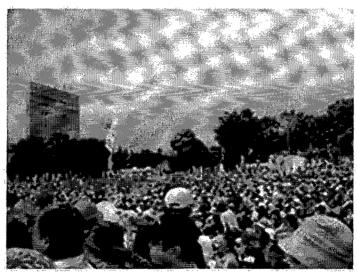
economic modeling. In that last unit we make forecasts, not only for the short term, but stretching out to 2030 or 2050. Our goal is to determine what kind of energy mix will emerge in Japan and Asia and the world by that time so that we can analyze the significance and make suggestions. We have about 200 people in our institute and about 120 of them are researchers on various issues. In addition, we have administrative personnel and people on loan from other institutes and foreign governments.



Source: IEEJ

The Fukushima earthquake-tsunami and nuclear disaster had a devastating effect on Japan, due both to its physical and social impact, as well as how the nation manages its energy needs. Most notable is Japan's reduced reliance on nuclear power. How did the Fukushima disaster impact Japan aside from reconstruction costs, both from a broad as well as an energy perspective? What are your views on nuclear power, both in terms of Japan and as a global energy source?

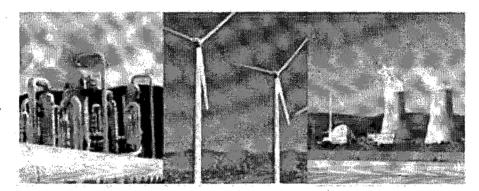
First, regarding the impact of Fukushima, I would say simply it was very serious and devastating. It also destroyed trust in nuclear power among the Japanese public overnight. Most people became anti-nuclear or very skeptical at best regarding the safety of this power source. The previous government, which held power until the middle of December, was trying to reduce Japan's dependence on nuclear power and in mid-September announced an innovative strategy on energy and the environment. The government envisioned taking measures to eliminate nuclear as a power source in Japan by 2030 – but we had 54 power plants and the industry as well as major companies and many analysts expressed doubts about whether that would be possible – as did major governments around the world, including the US and UK.



Anti-Nuclear Plant Rally in Japan Source: Wikipedia

At present, public opinion is still highly divided, but what is interesting is that in mid-December there was a general election in Japan and the DPJ, who had been the ruling party, and who were in favor of eliminating nuclear, were defeated and the LDP came back. They had been saying it was irresponsible for the government to insist we can reduce nuclear power to zero and that Japan needs to take time to consider the best energy mix.

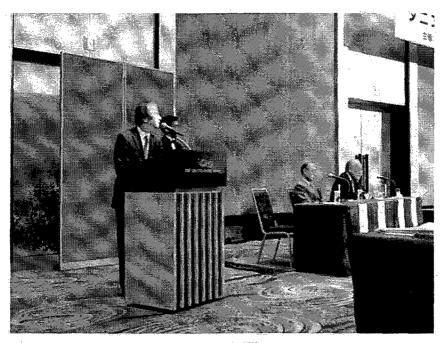
So it is interesting that the public view is divided in this way and the LDP, who noted it is not possible to eliminate nuclear power, won an overwhelming victory. Clearly, the biggest priority in the campaign was not energy -- so it is important not to make too much of this. The main issue was economic revitalization and second, a range of social security issues. Energy was maybe the third most important. However, in any case Japanese opinion is still divided, but somehow most people are starting to consider the ramifications of Japan without nuclear and whether it can survive without it.



Source: Forum on Energy

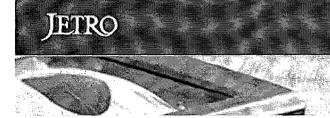
My view is that we need to have a balanced approach and not over-rely on nuclear or for that matter any other energy source. We need to consider and utilize it in a balanced way. For example, maybe 20-25% of our electricity should come from nuclear, down from the 30% or so it represented in 2009-2010 before the disaster. That may not sound like a big reduction --but before the disaster there had been plans to raise nuclear power to 50%, given its positive impact on climate change, as it has zero emissions.

How has Japan's energy policy changed as a result of Fukushima and how do you see it evolving in the future? Is the planned shift toward a greater emphasis on renewable energy a viable one and if so, over what time frame? Additionally, what can be done to boost energy efficiency and to facilitate the development of new alternative energy technologies moving forward?

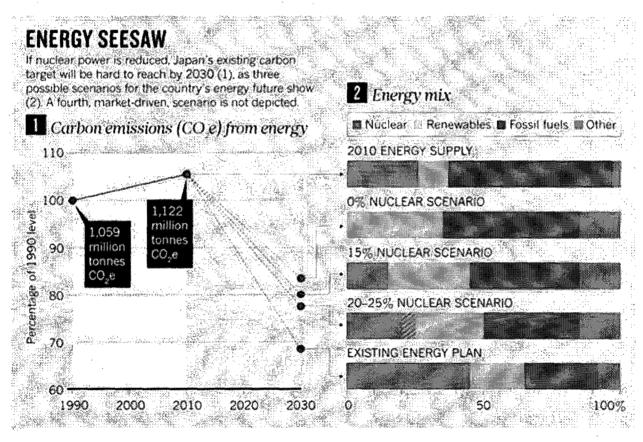


Source: IEEJ

After Fukushima the government realized they needed to review the current energy mix of the Basi Energy Plan made in 2010, and tried to shift Japan away from an overreliance on nuclear. They spent more than a year reviewing the issue and couldn't conclude the discussion. For this review, METI formed a committee to consider fundamental issues in an Comprehensive Energy Review Council, which is an advisory organ for the METI Minister. They held more than 30 meetings over 13 months. I was one of 25 members but we couldn't find a viable way to complete the shift away from nuclear power. Now under the new LDP administration, which was inaugurated at the end of last year, they are saying zero nuclear power is not realistic. This leads to two policy changes. First, within three years, they will restart existing nuclear power facilities after safety is reassured by the newly independent council that is being formed to determine matters of this kind. Since it is subject to this



review we don't know how many plants will receive approval, though I assume that many will be and we will see them go back online within next three years. At this moment, however, only two are operational. In the longer term, they will review Japan's energy mix within next ten years. Renewables remain quite important and they will promote its development, but they must spend considerable time to test its reliability and viability as a power source -- especially given the large scale of utilization envisioned. At this moment they are saying that perhaps it is not possible to go zero nuclear and we will continue to shift toward renewable, but need a more balanced approach.

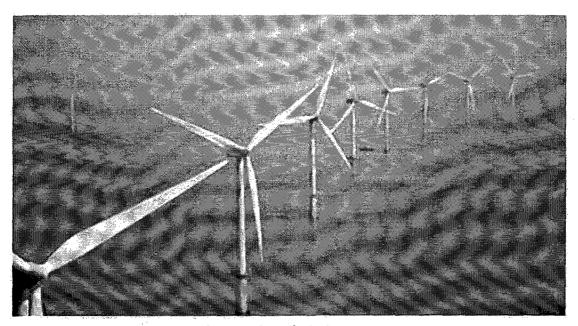


Source: Ministry of Economy, Trade and Industry



In my view Japan should not proceed too hastily in adopting new energy mix goals, but ten years is too long to wait. After the independent regulatory counsel sets up the new regulatory framework, which should be completed next July, we should proceed step-by-step. Nuclear plants should be restarted and perhaps one year after the feed-in tariff, which was implemented last July, we can see how effective that was and decide how reliable renewables have been. Then the new administration can reevaluate and decide what should be done. That takes us to about next autumn. How long will this process take? It is hard to say. But we need to start and cannot wait ten years.

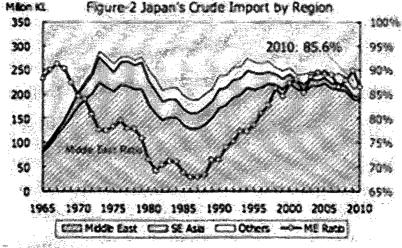
Conservation is also important. The previous administration was trying to promote conservation, which was necessary and appropriate and the LDP will also move in that direction. Japan is already perhaps No. 1 in the world by most measures, including energy consumption per unit of GDP, etc. but there is still room for improvement. This can also represent a business opportunity for Japanese companies in a world that is seeking to maximize energy efficiency.



Source: iStockphotos.com

My recommendation there is also for a balanced energy mix. We need to think about economic efficiency, safety and macro impact, as this is a complicated equation and we cannot forget about the fact Japan is very energy poor and we need to import 96% of our energy from abroad. This is completely different from the US, which will now become energy independent due to the advent of shale gas and new exploration while we will continue to be dependent. Security, the environment, efficiency and cost are also indispensible and especially after Fukushima we cannot forget about safety. Energy costs also impacts our economy and if costs get too high, industry cannot survive operating within Japan. Renewables are also problematic, given problems of intermittency and cost, though petroleum is also unstable in terms of cost as well as political risks, which can send prices skyrocketing, so we must consider all of these factors. Therefore, while public trust is lacking in nuclear and efficiency is important – nothing is perfect, so we must manage a balanced diverse portfolio. My view is a good mix might be 20-25% nuclear, 20-25% renewable and 50% fossil fuels – including petroleum, natural gas and coal, all balanced in terms of distribution.

While Japan moves toward a greater reliance on alternative energy, there is still a need for traditional energy inputs such as oil and gas. Where does Japan presently source its energy and do you see that changing in the future? How do you view the prospect of greater cooperation with Russia and other Asia-Pacific nations both in terms of resource supply and regional grid development?



50.000 PCF NAMES

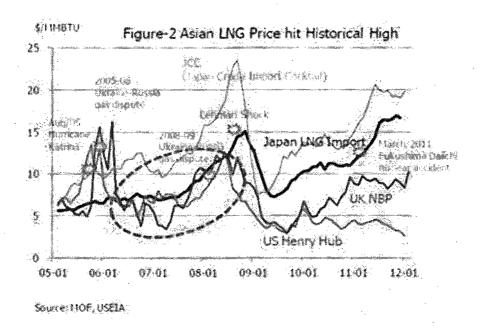
It depends on what energy source you are talking about. For oil we continue to be reliant on the Middle East as 87% of our petroleum is imported from there. We understand the need to diversify but don't have appropriate alternative import sources. We are already importing considerable petroleum from Russia, and perhaps we can increase that, but the balance issue is important. Perhaps the US could help Japan in terms of petroleum imports in view of its own increased supply by lifting their ban concerning the export of oil.

\$ Billion Hillion ton 25.0 20.0 Ouantity 15.0 20.0 10.0 15.0 5.0 10.0 5.0 0.0 40 2Q C=3 2009 C=3 2010 C=3 2011 2009. 2010 -

Figure-1 LNG Import of Japan

Source: IEEJ: compiled from MOF Japan Tradre Statistics

For natural gas, our import source is more diversified. At the moment I think 40% of our supply comes from Asia and 30% from the Middle East, with the balance from Australia (16%), Russia (10%) and other sources, so this is more balanced. We also hope to import shale gas from the US though we understand that to import from the US, exports need approval from the US government but we do hope this will be possible. That is quite important as the US and Japan are important partners. We are supporting the policy of Iranian sanctions and have decreased our imports from there by over 50%, so it may not be too much to expect that the US will help us to secure the natural gas that we need.



Here is the problem with Asian imports. We need to import liquefied natural gas from there, which costs more about \$6 per mm BTU, including transportation cost. This constitutes an "Asian premium". In the US it is \$3 per mm BTU at Henry Hub, but with liquefaction and transportation in Japan it can reach \$16-18. That is 3-4 times higher even taking the additional cost for liquefaction and transportation, and we need to resolve that issue. The reason the price is so high is that the price is determined in link with petroleum, the unstable situation in Middle East, and demand factors in Asia, This creates differences in natural gas pricing here but hopefully the "Asian premium" can be resolved before too long. So we are importing lots of natural gas and considering how much more desirable that is given it is cleaner, hopefully we can diversify supply further through increased use of shale gas too.

You entered METI/MITI during a very different time in Japan's history. Can you tell us about those early days and the factors that led to the collapse of Japan's bubble economy in the early 1990s? Why has economic recovery been so difficult and do you see any parallels and lessons learned that can be applied to the present economic environment in the US and EU?

In the late 1980s/early 1990s we had unfortunate trade friction between US and Japan. I was

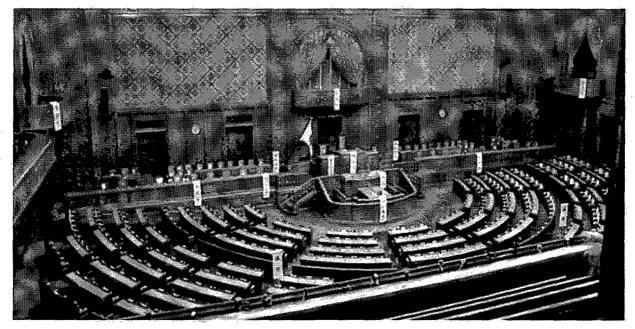
Director of the Americas Division of METI at that time, which was responsible for dealing with these matters. To resolve this trade imbalance the Japanese government was trying to take expansionary policies and because of that we increased imports and the bubble economy emerged. It was not as sustainable as we thought and in the early 1990s it collapsed.

After that people say we experienced one or two lost decades and it took a very long time to fix the economy and I think the reasons are now understood. After the collapse most companies showed serious balance sheet damage. Assets shrank, so this increased leverage. Most corporations then tried to reduce debts even when the government tried to convince them to expand, and even though interest rates were lowered almost to zero there was little new borrowing. So investment was negligible and it was a vicious cycle that reinforced itself over time. Salaries did not increase or declined and with that consumption stagnated as well. Then debts could not be lowered, which lead to reinforced attempts to do so. This caused increased deterioration to our economy.



I think the lesson for the US and EU, which are now suffering from their own bubble collapse, after the Lehman shock and events in Greece -- is that monetary expansion by itself is not sufficient. The governments accumulated a lot of debt, but companies and households continued to suffer. They are not making investments so it is only the government that can do that, which increases public debt further. So the lesson from the lost decade is that monetary policy is important but not sufficient. Fiscal and structural reform and deregulation is also critical and necessary to shorten the readjustment process.

Japan has just held an election following numerous changes of government in recent years. Should we be hopeful about the results? How do you view the current political environment in Japan and in the words of a recent US News and World Report article, what will it take "to jolt Japan out of its 20-year economic slump"?



Source: Kimtaro's flickr photostream, used under a creative commons license

The new LDP administration seems to be making the issue of economic revitalization their top priority and that is quite important and appropriate. Under the previous administration, they focused on income distribution rather than growth, and unfortunately there is no new income without growth. So I think the new priority is much better. Even before the election, Mr. Abe, the party leader, noted they would take up an expansionary policy after the election, and we began to see an immediate lift in the stock market, which got the message, and there was a significant rise. And after the election, Mr. Abe assumed the position of Prime Minister, and he continued with this talk and the stock market rise has continued. I think the Prime Minister is quite right in pursuing three kinds of expansion, including monetary, fiscal and structural, which I think will mostly take the form of regulatory reforms. So I think this is a more reliable and viable policy that we had in the past. Investors appear to also believe this and I think they can count on this new government.

At the same time Japan has many attractions as a business and investment environment. It remains a very large and stable economy, which offers a high quality of life and standard of living. It also remains a global leader in many products, processes and technologies. What should foreign companies and investors know about Japan and why should they be considering it in their expansion and allocation strategies?



Source: Japan Society

This is a good question. Many people tend to forget important facts about Japan. Since economic growth in China was so spectacular, people tended to focus on this market to the exclusion of others, but that is now moderating and I think it is time for people ~ both inside and outside Japan -- to recognize the importance of the Japanese economy. First, Japan is still the world's third largest economy after the US and China. And if you look at it in terms of GDP per capita, in countries with more than 100 million people, Japan is number two after the US. Most countries with high GDP per capita are smaller in size such as Singapore so while income may be high the market as a whole is not. But when you look at larger countries Japan remains on the top of the list. It is true that our industry is facing more challenges from countries such as Korea in areas including automobiles and machinery but we still rate



very high. Japan also possesses an aging population, so services are very important. Our medical services and culture/content/tourism sectors are quite attractive as is food and food safety. Additionally, given our enhanced need for more safety following Fukushima, and as well as the resulting need for renewables and conservation, there are many opportunities in our energy sector. The 3/11 Fukushima accident was quite unfortunate, but this has served as an opportunity to revitalize our nuclear and other industries. The new administration is quite right in looking at that as an area to emphasize where Japan has competitiveness and potential.

Developed countries such as Japan, the US and those in the EU used to look at emerging economies primarily as platforms to lower operating costs and manufacture products for sale back in their own and other developed markets. Now they increasingly look to these markets for their ability to provide growth and demand. How is this trend effect Japanese government policy and corporate behavior? Can Japan serve as a gateway for foreign companies seeking to enter the markets of developing Asia?



Source: Lets Talk Energy



This is also an important question and it is quite right to say that emerging economies, particularly in Asia, were seen as simply factories for the world in the past, but they are now becoming important markets for products and services produced in developed countries. Now, emerging Asian economies are becoming the center for economic growth in the world, while developed countries remain stagnant.

China, ASEAN and India – that is where the growth is coming from. And Japanese companies have made huge investments in factories, service centers, stores, supermarkets and other facilities and I think now it is time for Japan to enjoy economic growth as a result of these allocations. We have also invested in improving infrastructure and capacity in these economies. So I think we are in a good position to work together with these countries to develop their economies and regional development.

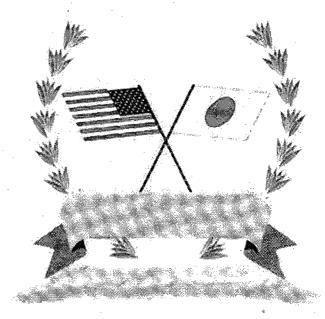
At the same time, Japan used to be said to be a country of high costs. But fortunately or unfortunately we have suffered through a long period of deflation, so costs are now relatively reasonable. This is true when talking about transportation, rents and many other costs. That opens the door to basing facilities in Japan and I think the country can be a good gateway for US and European firms seeking to enter these markets.

The US-Japan bilateral relationship has changed considerably over the course of your career. How do you view these changes and where do you see it headed moving forward? In addition, US-Japan corporate relations are cordial but there is far less cooperation than one might expect given the close relationship between our two countries. Why don't we see more joint ventures, alliances and Japanese acquisitions in the US?

As I said, by the mid-1990s the US and Japan had a lot of friction but that is now over and the time for greater cooperation has now come. We share common values, missions, trade and a desire to liberalize and create a 21st century investment infrastructure, which opens the door to cooperating across a range of areas. I also think the US and Japan can work together to address global issues such as climate change. The present negotiation framework may not have resulted in a successful conclusion, but perhaps our two countries can be more

realistic. While technology is important, unless emerging nations such as China and India participate, we cannot achieve meaningful progress.

Before we talked of reduction in absolute terms as opposed to energy intensity. As a result, China and India could not join. They also realize the need to minimize emissions but that is not easy. Since these and other emerging economies are now the centers for global growth, they must participate to address those global issues, so energy intensity might be a good compromise. The US and Japan can also develop or build on frameworks where we can cooperate. This is especially true for energy,



Source: 2ndgreenrevolution

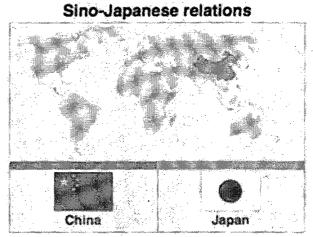
particularly nuclear and smart grid and conservation. In many ways we have already begun to do this. For example, Toshiba and Hitachi are working together with Westinghouse and GE. And in the smart grid area, there are many US companies that are good at promoting technology while Japan is good at conservation. We can combine these two skills to obtain many synergies so there is tremendous room for cooperation.

China has become an increasingly important factor in the global economy and two years ago overtook Japan to become the second largest economy in the world. Now we are seeing a change in leadership, growing tensions in its relations with Japan and other nations in the region, as well as potential signs of economic deceleration. What do these changes mean for Japan and the world at large?

It is unfortunate that territorial disputes overshadow other issues in the China-Japan and Korea-Japan relationship rather than the need to cooperate to resolve common problems.



Yes, trade and investment liberalization is one problem but Asian countries are also facing similar problems in regard to energy shortages and environmental problems. I can give you several areas of cooperation. For example, Japan is number one in terms of energy conservation and China and other Asian economies rely on Japanese technologies and practices in this sector. Aside from any direct commercial benefits, energy is a common good and if supply eases due to better conservation

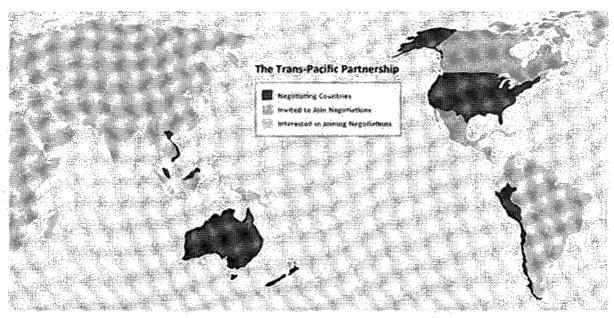


Source: Eurasia Review

practices, we all benefit as prices go lower. Second, nuclear is also quite important, particularly in terms of addressing safety. There are about 60-70 nuclear plants under construction in the world and about 2/3 of those are in Asia, mostly in China and India. With our experience in Fukushima we can give valuable input on safety and help Asian countries. Asian economies also share the problem of reducing the "Asian premium" for natural gas. So we don't need to confront one another and it is time to promote stronger and closer cooperation, as these territorial disputes cannot be easily resolved. Therefore we need to separate them from these other issues where we can benefit from closer cooperation. I hope this is possible and that we can count on experienced politicians in the LDP who have close networks and communications with Korea and China. Hopefully they can find sensible solutions for these issues so that we can all benefit.

You have spent much of your career helping to further a wide range of bilateral and multilateral negotiations including but not limited to the Doha round, the Kyoto Protocol, and the US-Japan automotive talks. How do you view the environment for trade negotiations -- both bilateral and multilateral -- moving forward? What is the impact of the increased role that developing newly emerging nations okay in many of these forums today? In addition how do you view the prospects for TPP and do you think that Japan will take the steps needed to participate in these negotiations?





Source: TPPinfo.org

This is also an important question. You referred to multilateral negotiations and unfortunately on the basis of my experience, I don't think these negotiations have a good prospect for successful conclusion. The reason is that the underlying premises have completely changed. In 2001 when the Doha Round was launched, we need to remember that China was not in the WTO. When they joined, they grew substantially and that was good for them and the world, but it changed the premise that developed countries were more competitive than emerging economies. The situation changed and these economies are also very competitive and huge investments are being made in these markets. So the premise that developed economies were strong and developing weak is no longer true. And we need to take into account this fundamental change and change the framework or the negotiation will not go anywhere. The same thing can be said about climate change. The Kyoto Protocol was negotiated in 1996. The premise then also was that developed countries were strong and developing weak and that differentiation of responsibility no longer holds. So emerging economies need to share the burden or a solution cannot be found. While we cannot be optimistic about the prospects for either of these negotiations if the US, Japan and EU can work together to help launch a new framework, as well as regional FTAs and other agreements such as TPP, we have a better chance and this is far more realistic. Unfortunately though Japan has not yet been able to participate.

If this changes, and Japan can join TPP negotiations, there will be 10 countries of which 90% of GDP will be US and Japan. This offers the potential to develop a highly attractive framework for the 21st century. I then believe everyone including the EU will want to join and it will provide a framework that can be expanded to include whole WTO, so it is not really as regional as people think. For climate change, the US/Japan also needs to establish a more realistic framework so other countries can join. As mentioned, I think carbon emissions intensity rather than absolute reduction needs to be emphasized and new technology developed to reduce costs. For example, artificial photosynthesis can help in this regard and Dr. Negishi of Duke Univ. won a Nobel Prize for this. New technology is needed and we must recognize in the next decade or two carbon emissions may not diminish due to growth in China and other emerging markets. So it is critical even if they improve emissions intensity quite substantially we have to adjust and adapt to that fact and change our frameworks accordingly.

Thank you so much Toyoda-san for your time and attention. Before we conclude do you have any final words to leave with our readers?



Source: IEEJ



JAPAN EXTERNAL TRADE ORGANIZATION

FOCUS NEWSLETTER

Well, again that people in Japan and all over the world can be hopeful for better performance in Japan due to efforts by the new LDP administration to make economic revitalization their main policy priority. We can also hope for more US-Japan cooperation to reframe all kinds of economic negotiations to bring prosperity to the world.



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http://www.surveymonkey.com/s/SLB7SYW

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